

SCOTTISH WATER BOARD MEETING MINUTES

Date	28th March 2018
Start Time	9.00am
Finish Time	12.40pm
Place	Patio Room, Norton House Hotel, Edinburgh

Present:	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Peter Farrer	Chief Operating Officer
	Mr Alan P Scott	Finance Director
	Mr Alan Bryce	Board Member
	Mr Matt Smith	Board Member
	Mr James Coyle	Board Member
	Mr Paul Smith	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
Mrs Deirdre Michie	Board Member	
In attendance:	Prof Simon Parsons	Strategic Customer Service Planning Director
	Mr Mark Dickson	Director of Capital Investment
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mrs Claire Marshall	Shadow Board Member

1. SUCCESSION PLANNING

Mr Millican led the Non-Executive Directors in a Succession Planning Workshop.

PART I

1. APOLOGIES

There were no apologies received.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

The Chair noted her role as Chair of the Scottish Fiscal Commission.

There were no matters arising.

3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board Meeting held on 27th February 2018
The draft Minutes of the Board Meeting held on 27th February 2018 were approved.

Paper 29/18 approved.

- (ii) Draft Minutes of the Remuneration Committee Meeting held on 26th March 2018
Mr Bryce, Chair of the Remuneration Committee, provided a verbal report of the meeting held on 26th March 2018.
- (iii) Draft Minutes of the Audit Committee Meeting held on 27th March 2018
Mr Coyle, Chair of the Audit Committee, provided a verbal report of the meeting held on 27th March 2018.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that the Lost Time Frequency Rate (LTFR) and Notifiable Incident Rate (RIDDOR) are on a declining trend. Overall Scottish Water sickness absence rate is stable, as is the Wellbeing Training Occupancy Rate. Mr Farrer explained the background to and the issues arising from the H&S incidents set out in the report. He advised that Scottish Water is carrying out further analysis in relation to the demographic profile of individuals involved in recent incidents, in order to identify the necessary measures to address this. The Board noted the measures being taken in relation to health and safety assurance. In response to a query from the Board, Mr Farrer confirmed that the PPE requirements for tanker drivers are being reviewed. Mr Scott provided an update to the Board in relation to the health and safety incident at Whitburn Waste Water Treatment Works on 31st January 2018 and Mr Farrer advised the Board of the current position in relation to the incident at Prestonpans on 9th June 2017. The Board noted the transfer of Scottish Water's occupational health programme to a new provider, as of 1st March 2018. The Board noted that the Wellbeing Team presented to the Supply Chain Conference in February 2018, which was attended by more than 250 supply chain members, representing 170 businesses across Scotland. Following a query from the Board, it was agreed that Scottish Water's Wellbeing strategy will be discussed during the Board Workshop on health and safety in June 2018, including the measures being taken to improve attendance at the Mental Health Training for Line Managers.

Action 1 – Mr P Farrer

Paper 30/18 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, advising that, on 15th March 2018, following consideration of PE 1646 on drinking water supplies in Scotland, the Public Petitions Committee referred the petition to the Environment, Climate Change and Land Reform Committee (ECCLRC). The ECCLRC will raise this matter with Scottish Water during the session on 17th April 2018 to provide evidence on Scottish Water's Annual Report and will consider the issue as part of its work programme. On 20th March 2018, Mr Millican and Mr Scott attended a financial strategy meeting with the Scottish Government. Mr Millican noted that the Scottish Government will publish its medium term financial strategy at the end of May 2018 and this will be reviewed annually. He updated the Board on the current position in relation to replacement of the membrane treatment plant at Gairloch with more appropriate treatment technology and odour complaints regarding Seafield Waste Water Treatment Works. He reported good overall performance, despite challenging weather conditions in late February and early March 2018.

Mr Farrer updated the Board on the work undertaken by Scottish Water to address the winter weather challenges, explaining that robust forward planning and incident management, together with the mobilisation of significant Scottish Water and contractor resources, enabled Scottish Water to address the challenges, resulting in minimal customer impact. He advised that the adverse weather caused a delay of one to two weeks in the delivery of some capital investment projects. The Board noted that lessons learned will be addressed in Scottish Water's planning procedures for future incidents. Following a query from the Board, it was agreed that Scottish Water would develop a public communication in relation to the work undertaken in addressing the winter weather challenges.

Action 2 – Mr P Farrer/Mr B Lironi

Paper 31/18 noted.

6. FINANCE REPORT

Mr Scott reported that, to 28th February 2018, regulated profit before tax (PBT) at £122.3m was £30.4m above budget. Sales were £9.9m higher than budget, with total expenditure £19m below budget and interest £1.5m below budget. Gross capital investment to February was £586.8m, £10.3m higher than budget. The Board noted that the out-turn forecast PBT for the year to 31st March 2018 is unchanged at £127.6m, £30.7m higher than budget. Forecast gross capital investment is unchanged at £640m and the cash balance forecast has been increased to £267m. The amount billed to household customers was £4.1m higher than budget at £861m and cash collected from household customers was £5.2m higher than budget at £819.7m. The Board noted the write-down of household bad debt, which is based on detailed information received from the Councils and reflects their Council Tax write-offs. Government loans at the end of February were £150m higher than budget at £3,476.6m, with £50m of new loans drawn down in February.

Paper 32/18 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month household CEM (hCEM) score for February 2018 was 86.60, an increase from the previous month's score of 86.01, with the year to date (YTD) score increasing marginally to 86.43 and remaining below the year-end target of 86.50. Mr Farrer noted that this target represents a further 5% reduction in lost points from the previous year's target, with a 25% reduction since the introduction of this measure three years ago. Mr Farrer updated the Board on the current position in relation to the upheld SPSO complaint regarding noise and vibration at Tayport Waste Water Pumping Station, advising that he visited the site on 15th March 2018 to review progress. The current programme of work has been impacted by adverse weather and poor ground conditions. To ensure that safety on site is maintained, completion of the project has been delayed by two weeks and the customer has been advised of the position. The customer has now agreed to the commissioning of internal noise and vibration (N&V) monitoring. This will be conducted, together with a structural survey of the customer's property, following commissioning of the pipeline. The Board noted the continued improvement in Scottish Water's customer service culture, as measured in the ServCheck Survey completed between October and December 2017, which is based on the Institute of Customer Service Model for World Class Service.

Paper 33/18 noted.